EUB

Globex Resources Ltd.

Applications for Licences for a Sour Gas Well, Sweet Gas Battery, and a Natural Gas Pipeline Gordondale Field

September 23, 2003

Alberta Energy and Utilities Board

104-02514/

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Sour Gas Well, Sweet Gas Battery,
and a Natural Gas Pipeline
Gordondale Field

September 23, 2003

ALBERTA ENERGY AND UTILITIES BOARD
Decision 2003-070: Globex Resources Ltd. Applications for Licences for a Sour Gas Well, Sweet Gas Battery, and a Natural Gas Pipeline, Gordondale Field
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GLOBEX RESOURCES LTD.
APPLICATIONS FOR LICENCES FOR A SOUR GAS WELL, SWEET GAS BATTERY, AND A NATURAL GAS PIPELINE
GORDONDALE FIELD

Decision 2003-070
Applications No. 1279895, 1303136, and 1303138

1 DECISION

Having carefully considered all of the evidence, the Alberta Energy and Utilities Board (EUB/Board) hereby approves Applications No. 1279895, 1303136, and 1303138, subject to the condition set out in Appendix 2.

2 INTRODUCTION

2.1 Application 1279895

Globex Resources Ltd. (Globex) applied on October 7, 2002 to the EUB, pursuant to Section 2.020 of the Oil and Gas Conservation Regulations (OGCR), for a well licence to drill a directional sour gas well from a surface location in Legal Subdivision (LSD) 16, Section 18, Township 79, Range 10, West of the 6th Meridian (16-18 well).

Globex indicated that the application for the 16-18 well was filed principally for the purpose of obtaining sweet gas production from the Taylor Flat and Kiskatinaw Formations. It identified, however, the Charlie Lake, Baldonnel, Cadomin, Gething, and Bluesky Formations as up-hole zones with potential for reservoir development at the proposed location. Globex acknowledged that the Charlie Lake and Baldonnel Formations may have potential for sour gas production in this area. Therefore, for purposes of drilling the well, the well would be a level 2 sour gas well with a maximum hydrogen sulphide (H_2S) content of 380 moles per kilomole (mol/kmol) (38 per cent), an estimated potential drilling release rate of 0.410 cubic metres per second (m^3/s), and a drilling emergency planning zone (EPZ) of 1.255 kilometres (km). Although the EPZ is based on the drilling release rate, the 1.255 km EPZ will also be utilized during completion operations and testing of the well.

2.2 Application 1303136

Globex applied on June 3, 2003, pursuant to Section 7.001 of the OGCR, to construct and operate a single well sweet gas battery. The battery would be located at LSD 16-18-79-10W6M (16-18 battery). The 16-18 battery would be designed to handle approximately 120.0 thousand cubic metres per day (10^3 m^3/d) of raw gas, 15.0 cubic metres per day (m^3/d) of oil/condensate, and 15.0 m^3/d of water. The inlet gas stream would contain no H_2S.

2.3 Application 1303138

Globex applied on June 3, 2003, pursuant to Part 4 of the Pipeline Act, to construct and operate a pipeline from the 16-18 well to a pipeline tie-in point in LSD 16-18-79-10W6M. The pipeline would tie in to an existing pipeline operated by Arc Resources Ltd. (Arc), through which the gas would be transported to a gas plant operated by Duke Energy Midstream Services Canada Ltd. (Duke) at LSD 11-24-79-11W6M. The pipeline would be approximately 170 metres (m) in length, with a maximum outside diameter of 88.9 millimetres (mm), and would transport natural gas containing no H_2S.

2.4 Background

Globex stated that it does not plan to produce sour gas from the 16-18 well, however, it did acknowledge that future sour gas production is not inconceivable, depending on test results of sour zones in the well and opportunities to tie in sour gas production. Globex has applied for a sweet gas battery and natural gas pipeline, effectively restricting the well to sweet gas production. Should Globex identify commercially viable sour gas reserves and elect to produce sour gas from the well, it acknowledged that it would be required to file new applications with the EUB for a gas battery and pipeline designed for sour gas service. It also acknowledged that it would be required to conduct notification and consultation in accordance with the EUB's guidelines prior to filing the applications with the EUB, should the sour facilities become necessary.

2.5 Intervention

On August 26, 2002, Mr. Day, owner and resident of land adjacent to the proposed 16-18 well location, submitted a letter to the EUB expressing his opposition to the 16-18 well. In his letter, Mr. Day expressed dissatisfaction with the manner in which Globex's land agent, Britt Land Services, had approached consultation with him with respect to the 16-18 well. He also alluded to dissatisfaction with the municipal services provided by the County of Saddle Hills. In an October 3, 2002 letter copied to the EUB, Mr. Day reiterated his objection to the 16-18 well, citing concerns relating to alleged falsification of information contained in Globex's notification materials, potential damage to county roads, and proximity of the 16-18 well to his cattle. In response to the EUB's Notice for Objection, Mr. Day filed a letter with the EUB dated November 5, 2002, in which he listed the following concerns relative to the 16-18 well: whether production from the well would be sweet or sour; what pipeline the well would be tied in to; surface equipment; compression; venting and flaring; truck traffic; damage to county roads; and spreading of noxious weeds. In this letter, Mr. Day also indicated that he would like to have the well surface location moved 200 m to the south.

Mr. Day owns the northeast quarter of section 17-79-10W6M, and the southeast, southwest, and northwest quarters of section 20-79-10W6M. Although Mr. Day's residence is located in the northwest quarter of section 20, just outside the EPZ, a portion of his land is included in the EPZ. Mr. Day's residence was incorporated into the site-specific emergency response plan (ERP) prepared by Globex for the 16-18 well.

The attached figure shows the location of the proposed well, the associated battery and pipeline, the location of Mr. Day's residence and property, the location of other area residences, and the 1.255 km EPZ.

2.6 Hearing

A public hearing was held on July 16, 2003, in Gordondale, Alberta. The Board panel consisted of G. J. Miller (Presiding Member), and Acting Board Members, M. J. Bruni, Q.C., and M. H. Hommy. A brief visit to view the proposed location for the 16-18 well occurred during the proceeding. Those who appeared at the hearing and a list of abbreviations used in this decision are set out in Appendix 1.

3 ISSUES

The Board considers the issues respecting the applications to be

- need for the proposed well, battery, and pipeline,
- location of the facilities,
- impacts of the facilities,
- emergency response planning,
- public consultation, and
- corporate health.

4 NEED FOR THE PROPOSED WELL, BATTERY, AND PIPELINE

4.1 Views of the Applicant

Globex stated that it has a right to explore for and produce oil and gas reserves in Section 18-79-10W6M by virtue of the Crown mineral agreement that it holds. Although Globex had no conclusive estimates of the volume of gas reserves it hoped to obtain by drilling the 16-18 well, it said its expectation was to drill a well that would produce approximately two million cubic feet per day of gas production. Globex explained that the well would be exploratory in nature and that, given the competitive nature of the energy industry, there was a need to proceed with the drilling of the well and then with construction of the associated battery and pipeline, should the well be successful.

4.2 Views of the Intervener

Mr. Day did not contest Globex's need to exploit its mineral rights or to drill the well and construct the associated battery and pipeline in order to produce the reserves. He did, however, express concerns regarding the impacts of Globex's activities at the proposed 16-18 location (please refer to Section 6 of this report).

4.3 Views of the Board

The Board notes that while Mr. Day expressed concerns with the well, battery, and pipeline at the proposed location, he did not dispute Globex's right to exploit its mineral rights or its need to drill the well and construct the battery and pipeline in order to produce the anticipated gas reserves. The Board agrees that the proposed well, battery, and pipeline are necessary in order to exploit and produce the gas reserves, provided the development can be carried out in an acceptable fashion. In the following sections, the Board considers whether the development can be carried out in a manner that does not cause undue adverse impacts.

5 LOCATION OF THE FACILITIES

5.1 Views of the Applicant

Globex stated that it had selected the proposed surface locations for the well, battery, access road, and pipeline in consultation with the surface landowners, Brian and Joyce Matkowski (the Matkowskis). Globex stated that it considers the proposed 16-18 location to be the optimal surface location for the facilities, for reasons discussed below. The well site would be located in a cultivated field approximately 675 m north-northwest of the Matkowskis' residence, with access from an existing county gravel road that runs north-south, immediately east of the proposed well site. The proposed pipeline would tie in sweet gas production from the proposed well to the existing Arc pipeline, located 170 m north of the proposed well. Globex noted that it had received the Matkowskis' approval for the proposed location of the well, battery, access road, and pipeline.

Globex assessed several alternative surface locations that would allow it to reach its preferred bottomhole location, taking into consideration technical and safety matters, and the wishes of the landowners. Globex explained that, ideally, the well should be drilled vertically to the target bottomhole location, to optimize the potential for access to reserves; however, a surface location here would be immediately above the 42-inch Alliance Pipeline Ltd. (Alliance) pipeline. Globex therefore considered two alternative locations: one at the proposed 16-18 surface location, and another that would have placed the well south of the proposed surface location by approximately 200 m, as suggested by Mr. Day. Globex stated that it had selected the proposed 16-18 location over the southerly location based on the following considerations:

- It would allow the well to be drilled directionally from a surface location north of the Alliance pipeline right-of-way, which would enable Globex to avoid crossing the Alliance pipeline with its gathering pipeline.

- The proposed location would be 200 m further north of the Matkowskis' residence as well as two other residences on the northwest quarter of section 18.

- The proposed location would be a relatively short 170 m distance south of the existing Arc gathering pipeline, which Globex proposes to tie into, thus reducing the ground disturbance required to tie the well in.

Globex stated that a review by its geological staff recommended against locating the well 200 m to the south of the proposed location. Globex stated that it had selected the 16-18 location to be near the apex of a deep-seated geological structure, which it had identified based on well control and its interpretation of the seismic data. Globex explained that the geological formations in the subsurface are draped over this structural high, which dips very sharply downward in a southwesterly and westerly direction. Globex stated that, if the 16-18 well were located either south or west of the proposed location, the secondary target horizons would be down-dip from the apex of the structure, thus making it less likely to find potential reservoirs in these zones. Globex indicated that it wanted the well to be as high as possible in the structure to increase the probability of finding gas reservoirs in all potential target horizons

5.2 Views of the Intervener

Mr. Day did not dispute the technical arguments presented by Globex for the selection of the proposed surface or bottomhole locations; however, he stated that he would prefer that the surface location be moved to the south, further from his property. Mr. Day suggested that moving the location further from his property would reduce impacts on his farming operation.

5.3 Views of the Board

The Board notes that Globex identified the proposed bottomhole location of the 16-18 well based on its interpretation of the geological and geophysical data, and that Globex believes it to be the optimal location for a successful well. The Board finds the technical evidence submitted by Globex to be reasonable. Further, the Board notes that no technical evidence was presented by the intervener to dispute Globex's interpretations or selection of the bottomhole location. The Board also notes that the landowners are satisfied with the locations of the proposed well, battery, access road, and pipeline.

While the Board acknowledges that the intervener considered a different surface location to be more appropriate, the Board would not deny the well application unless it would result in unacceptable impacts or unless clearly superior locations were identified. Clearly superior alternative locations were not identified, and the Board believes that the proposed locations of the well, battery, access road, and pipeline are acceptable.

6 IMPACTS

6.1 Views of the Applicant

Globex stated that its understanding of Mr. Day's concerns regarding impacts of the 16-18 well and the associated battery and pipeline relate to the surface location of the well (see Section 5 of this report), damage to county roads, spreading of noxious weeds, and proper signage at its proposed facilities.

With respect to potential impacts to county roads, Globex submitted that the matter falls under the jurisdiction of the County of Saddle Hills. At the same time, Globex stated that it had offered to post a $10 000 bond with the County to cover the cost of any road repair that might become necessary as a result of its activities at the 16-18 location. The County declined this offer, however, on the basis that Globex's activities elsewhere in the County had not given rise to the need to draw on such a bond. Globex further placed into evidence a Road Maintenance Agreement between it and the County, the terms of which include issues specific to the 16-18 location. In addition to the terms of the agreement, Globex stated that it would inspect the county roads affording access to the 16-18 location before and after moving the drilling rig onto and off the lease, to ensure that no damage had been caused by the rig move, or by the movement of any other equipment required for the drilling of the well. Globex noted that traffic associated with the drilling of the 16-18 well would travel to the site from the south, off Highway 49, thus avoiding passing Mr. Day's residence. Globex stated that it would also be prepared to control dust during drilling, should conditions warrant, using a water truck to spray the county road. Globex emphasized its commitment to the safety of all aspects of its activities in the area, including road safety.

With respect to Mr. Day's concerns regarding the spreading of noxious weeds, Globex stated that its normal practice is to control the growth of vegetation on its leases in order to prevent weed growth and the spreading of weed seeds. Globex's practice is to cut weeds before they reach the flower stage, and to spray them with herbicide if necessary, in agreement with the landowner. In addition, Globex indicated that it would be willing to pressure wash the tires and wheel wells of construction equipment on the lease, to remove any weed seeds that may have adhered to the equipment from use on a previous site. While it expressed the view that, in areas other than its own leases, weed control is a municipal responsibility, Globex stated its awareness of the Weed Control Act's stipulation that weed seeds not be transported from one locality to another.

With respect to Mr. Day's concerns regarding proper signage at Globex's proposed facilities, Globex affirmed its intent to review its signage plan with the landowners and to ensure that its signage complies with EUB requirements.

6.2 Views of the Intervener

Mr. Day expressed the concern that movement of heavy equipment required for the drilling and servicing of the 16-18 well would result in damage to county roads. Specifically, Mr. Day stated that traffic related to oilfield activities had in the past resulted in the county roads in the district becoming rutted and therefore hazardous to travel. In Mr. Day's view, the use of county roads by energy companies results in long-term damage that impacts local residents in the area. Mr. Day contended that he had concerns for his personal safety and that of his neighbours with respect to oilfield-related traffic. Mr. Day also observed that, to date, energy companies working in the area had not implemented any dust control measures on the county road adjacent to his home; he stated that, as a result, his buildings had become dusty.

Mr. Day voiced the concern that energy developers had in the past been responsible for introducing noxious weeds into the local area. He stated that may weed (scentless chamomile) and cleavers are growing on his land, and that he is obligated to eradicate these weeds by hand. Mr. Day also expressed the opinion that the County of Saddle Hills was not providing satisfactory service in terms of weed control.

With respect to proper signage, Mr. Day inquired of Globex what specific signage would be posted at the 16-18 location.

6.3 Views of the Board

The Board acknowledges Mr. Day's concerns with respect to alleged damage, past and potential, to county roads in the area as a result of oilfield-related activities. The Board notes, however, that maintenance and repair of county roads in the vicinity of the proposed 16-18 location is a responsibility of the County of Saddle Hills. The Board notes that the County and Globex have addressed the County's concerns regarding roads by way of the Road Maintenance Agreement, which includes provisions specific to the 16-18 location. The Board notes, moreover, that Globex offered to post a $10 000 bond with the County to cover the cost of any road damages that might be incurred as a result of its activities at the 16-18 location, which the County declined on the basis of Globex's good record in other areas of the municipality. As such, the Board is satisfied that Globex has demonstrated a responsible approach to road use in the past. The Board further notes Globex's commitment to dust control, should it become necessary, during drilling of the 16-18 well.

The Board also acknowledges Mr. Day's concerns regarding the spreading, past and potential, of noxious weeds in the vicinity of his lands. The Board is of the view that weed control, as embodied in the Weed Control Act, is the shared responsibility of all those parties whose activities may impact or be impacted by the spreading of noxious weeds. In the Board's view, these parties include the energy developer, the landowner, and the municipal authority, among others. The Board notes that section 35 of the Weed Control Act prohibits the transportation of weed seeds from one property to another. The Board therefore requires, as a condition of the approval of the subject applications, that Globex take the following steps to prevent the transport and potential spread of noxious weeds by ensuring that vehicles and construction equipment arrive clean at the 16-18 lease:

- Globex shall thoroughly clean all vehicles and equipment associated with construction of the 16-18 lease and pipeline right-of-way, *prior to* entry of such vehicles and equipment onto the lease and right-of-way. Cleaning must include, at a minimum, pressure washing of tires, wheel wells, and chassis of light vehicles and vehicles transporting heavy equipment. Cleaning of heavy equipment must include pressure washing of blades, buckets, tracks, and undercarriage.

- Globex shall notify the EUB's Grande Prairie Field Centre in advance of moving equipment on to the lease site, in order to afford EUB Field Surveillance staff, at its discretion, the opportunity to inspect the condition of heavy equipment being moved on to the 16-18 lease.

The Board expects Globex to comply with all EUB requirements for posting of proper signage at the 16-18 location.

7 EMERGENCY RESPONSE PLANNING

7.1 Views of the Applicant

Globex said it developed a site-specific ERP for the drilling, completion and testing operations of the 16-18 well. Globex calculated an EPZ for the well of 1.255 km based on a cumulative release rate of 0.410 m^3/s. The calculated EPZ encompasses three occupied residences; however the EPZ was modified to incorporate three additional residences, including that of Mr. Day, due to their proximity to the boundary of the calculated EPZ. Globex confirmed that, despite completing the 16-18 well in a sweet zone, the ERP would be in effect during the drilling, completion, and testing operations of the well. Globex has committed to notifying all six residents of any real or apparent emergencies.

Globex stated that the ERP included in the submission, dated July 4, 2003, was not the most recent version of the ERP. An updated ERP was submitted to the EUB on July 7, 2003, containing amendments to ensure that minimum requirements, as set out in the recently released *Guide 71: Emergency Preparedness and Response Requirements For the Upstream Petroleum Industry,* were met. Mr. Day had had the opportunity to review the ERP included in Globex's submission to the hearing, but had not had the opportunity to review the updated version of the ERP, which was provided to him on the day of the hearing.

Globex reiterated its commitment to public safety and stated that it will simulate two emergencies prior to entering the first sour zone in the 16-18 well: one in its Calgary office and

one on-site. The purpose of these exercises is to ensure that personnel understand their roles and are prepared to implement the ERP. Globex also contended that the ERP exceeds minimum requirements, as set out in *Guide 71*. Globex highlighted notification of all residents and dispatching mobile air monitors at a Level 1 emergency, as instances wherein the plan exceeds minimum requirements.

Globex did not address the issue of the location of the evacuation centre raised by Mr. Day.

7.2 Views of the Intervener

Mr. Day expressed concern regarding the location of the evacuation centre. He felt that the approximately 25 km to the Bonanaza Community Hall was too far to travel, and suggested the Gordondale Community Hall as a preferable venue. Mr. Day also expressed concerns about the safety of his herd of cattle, but did not elaborate on the nature of those concerns. The intervener raised no other concerns related to the ERP.

7.3 Views of the Board

The Board notes that Globex has prepared a site-specific ERP for the drilling, testing, and completion operations at the proposed 16-18 well. The Board expects industry to respond to public concerns by adjusting the size and configuration of the EPZ and, as such, recognizes that Globex has modified the EPZ to include three additional residences.

The Board notes Globex's commitment to ensuring that personnel are trained and prepared to implement the ERP. The Board notes that Globex has committed to conducting two ERP simulations prior to entering the first sour zone in the 16-18 well, the first to be conducted at Globex's Calgary office to ensure that personnel are capable of fulfilling their support roles for field staff, and the second in the field. The Board expects EUB staff to be afforded the opportunity to attend both simulations.

The Board notes Mr. Day's concerns regarding the distance to the evacuation centre designated in the ERP, and acknowledges the alternative venue suggested. However, Board staff would not accept a designated evacuation centre that is located within the Emergency Awareness Zone (EAZ – twice the radius of the calculated EPZ); the Gordondale Hall falls within the EAZ in this instance. This requirement is based upon clearly-defined evacuation criteria, as set out in *Guide 71*. Should an incident occur at the 16-18 well which necessitated well ignition, evacuation distances would be based upon monitored readings of sulphur dioxide (SO_2) in the area. Location of an evacuation centre within the EAZ would leave open the possibility, depending upon SO_2 readings, that those persons gathered at the centre would have to be evacuated a second time, to a centre further from the well. The Board therefore deems the Bonanza Community Hall to be an appropriate location for the evacuation centre, and the travel distance from Gordondale not to be unreasonable.

The Board notes that the ERP must be amended and submitted to the EUB Operations Group for final review and approval prior to spudding the well. The Board further notes that Globex is responsible for ensuring that all commitments included in Appendix 2 of this decision report are met.

8 PUBLIC CONSULTATION

8.1 Views of the Applicant

Globex stated that it had commenced its consultation and notification initiative with respect to the 16-18 well in August 2002. Globex acquired a surface lease for the well early in September 2002 from the Matkowskis, owners of the northeast quarter of section 18-79-10W6M. The Matkowskis subsequently informed Globex verbally that Mr. Day had expressed concerns in relation to the proposed well location. Globex indicated that it had contacted Mr. Day immediately with the intention of addressing his concerns.

Globex further stated that it had conducted consultation and notification with respect to the battery and pipeline associated with the 16-18 well in May 2003, and had successfully acquired a pipeline right-of-way at that time. Neither Mr. Day nor any other party raised concerns with respect to the battery and pipeline.

Of those consulted by Globex, in accordance with the requirements of the EUB's *Guide 56: Energy Development Applications and Schedules*, Mr. Day was the only party who raised concerns with respect to the 16-18 well. Globex expressed frustration and disappointment that its efforts at addressing Mr. Day's concerns had been unsuccessful, despite the various approaches it had implemented to establish a dialogue with Mr. Day. Globex rated its relationship with Mr. Day, on a scale of 1 to 10, as a 4.

In an effort to improve its relationship with Mr. Day, Globex indicated that it had dispatched land agents with different personalities to meet with Mr. Day. Globex reported that this approach had not yielded the positive results it had hoped. Globex also stated that it had made repeated attempts to arrange a meeting between Mr. Day and Globex personnel; however, Mr. Day had been unavailable to attend such a meeting. Mr. Wandzura of Globex had one brief telephone conversation with Mr. Day in early 2003, and that was the extent of direct contact between the parties.

Globex conceded that, at one point in the consultation process, it had made an offer to Mr. Day to move the well location some 200 m south of the proposed location in the hope of allaying some of Mr. Day's concerns. Globex withdrew the offer when it became apparent that the more southerly location would be less advantageous from a geological perspective.

Globex stated that, although none of its employees or representatives reside in the Gordondale area, it had provided residents in the area with a telephone contact number for both Globex and Britt Land Services. Globex further indicated that the signage it intends to post at the well, battery, and pipeline would display a contact number for both its Calgary office as well as for a local operator.

Globex also indicated that it understood that, should it seek at some point in the future to complete a sour zone or zones in the 16-18 well, modifications to surface equipment and the pipeline would be required, which in turn would necessitate additional public consultation and notification, including Mr. Day.

8.2 Views of the Intervener

Mr. Day expressed the view that, while he did not oppose the well, battery and pipeline per se, he felt the approach to consultation adopted by Globex was not optimal. Mr. Day stated that one of his primary concerns was with the approach taken by Globex's land agent, Britt Land Services, in the early stages of consultation. He stated that he felt the consultation had been unilateral, with the land agent displaying inflexibility on issues of concern to Mr. Day.

Mr. Day stated that he felt he had had to exert pressure on Globex to provide information to him relative to the 16-18 well, and that what had been provided to him was unreliable. Specifically, Mr. Day said that he did not have confidence in the information he had received from Globex regarding whether production from the well would be sweet or sour. Mr. Day indicated that he had had previous experiences with other companies in the area who had portrayed their targets as sweet production during consultation, and had, in fact, obtained sour production. For this reason, Mr. Day expressed discomfort with Globex's obtaining approval for a sour gas well when it had reiterated its intent to obtain only sweet production from the 16-18 well. He confirmed that he understood that, should Globex seek in future to obtain sour production from the 16-18 well, it would be obligated under *Guide 56* consultation requirements to inform him of its intention to seek approval for surface facilities and a pipeline that would meet sour specifications, and that he would have an opportunity to express any concerns he might have at that time.

Similarly to Globex, Mr. Day rated his relationship with Globex, on a scale of 1 to 10, as a 3 or 4. He expressed the view that land agents frequently compromise the relationship between an applicant and local residents, and that the companies represented often are not aware of the source of disruption in the relationship. Mr. Day said that he felt his relationship with Globex might have been improved had he had the opportunity to meet with employees of Globex directly, as opposed to solely with the land agent.

Mr. Day expressed the view that his experience with Globex had led him to feel that he could not rely on the company to follow through on commitments. He cited as an example the fact that Globex had offered to move the surface location of the 16-18 well 200 m south in response to his concerns, and had subsequently indicated its unwillingness to uphold that offer based on geological criteria.

8.3 Views of the Board

The Board acknowledges that Globex has met the requirements of *Guide 56* for consultation and notification with respect to the 16-18 well and associated battery and pipeline. It also acknowledges that Mr. Day was the only local resident to have come forward with concerns regarding the proposed facilities. The Board notes with concern, however, the poor relationship that has been the result of the consultation process between Globex and Mr. Day, and encourages the parties to work together to improve their relationship in future.

The Board notes comments made by both the applicant and the intervener with respect to the mutual challenges they have faced in terms of communication and building trust. The Board is of the view that trust between parties is a key to the success of the consultation process. The Board therefore encourages the parties to seek ways to improve communication and to build trust.

The Board believes that one means by which Globex might improve its relationship with Mr. Day and other residents in the areas where it operates is to minimize its reliance on a land agent as its sole source of contact. The Board is mindful that Globex has indicated that it does not have employees or representatives who reside in the Gordondale area, and therefore encourages Globex employees from Calgary—including company officers such as the president—to make regular visits to the community in the interest of becoming acquainted with community members and fostering and maintaining a long-term relationship. It is the Board's view that an applicant is responsible for maintaining the consultation process from a point prior to making application to the EUB, through to abandonment and decommissioning of its facilities in a given locale. The Board strongly encourages Globex to make every effort to become an accessible and trusted neighbour in the community surrounding the 16-18 facilities.

In particular, the Board notes the importance of credibility in building trust between parties. The Board is of the view that Globex undermined its credibility with Mr. Day by withdrawing its offer to move the surface location of the 16-18 well. The Board therefore encourages Globex to ascertain in advance that it can uphold the commitments it makes before making them.

9 CORPORATE HEALTH

9.1 Views of the Applicant

Globex stated that it is a small company with a conservative approach to corporate growth. Globex indicated that it had little debt and a substantial cash flow for a company of its size. Globex stated that, since it began as a junior capital pool company in 1997, it has acquired a number of properties, has developed some of its own, and thus its production has grown to 600 barrels a day. Globex pointed out that, during this period, it has had responsibility for abandonment and reclamation of a number of wells, and that it feels its track record in this respect is exemplary. Globex also stated that its shares have been publicly traded on the TSX Venture Exchange since 1998.

Globex confirmed that it carries blowout insurance. It also stated that it reviews its insurance requirements on an annual basis, in accordance with its needs as the company grows.

9.2 Views of the Intervener

Mr. Day did not express any views with respect to the corporate health of the applicant.

9.3 Views of the Board

The Board does not see any matters of concern with respect to the company in this area.

10 CONCLUSION

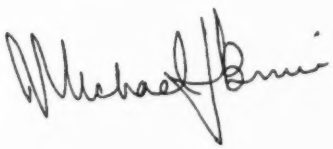
Having carefully considered all the evidence, the Board finds that Globex has demonstrated the need for the proposed well, battery, and pipeline, which can be drilled, constructed, and operated in a safe and environmentally acceptable manner. The Board also finds that the associated impacts will be properly addressed and mitigated. As a result, the Board is of the view that the

subject applications are in the public interest and, therefore, approves the applications, subject to Globex meeting all the regulatory requirements, as well as the condition set out in the appendix.

DATED at Calgary, Alberta on September 23, 2003.

ALBERTA ENERGY AND UTILITIES BOARD

Gordon J. Miller
Presiding Board Member



Michael J. Bruni, Q.C.
Acting Board Member

M. H. Hommy
Acting Board Member

APPENDIX 1 THOSE WHO APPEARED AT THE HEARING

Principals and Representatives (Abbreviations Used in Report)	Witnesses
Globex Resources Ltd. (Globex) R. A. Neufeld	G. De Boon, P.Eng. D. Wandzura, P.Eng. P. Miller, P.Geol. W. R. Ramsay, P.Lands of Britt Land Services P. Harris of Gecko Management Consultants
W. C. Day (Mr. Day)	W. C. Day
Alberta Energy and Utilities Board staff J. R. McKee, Board Counsel G. McLean, C.E.T. A. Cosijn K. Bieber A. Johnson	

APPENDIX 2 SUMMARY OF COMMITMENTS AND CONDITIONS

The Board notes throughout the decision report that Globex has undertaken to conduct certain activities in connection with its operations that are not strictly required by the EUB's regulations or guidelines. These undertakings are described as commitments and are summarized below. It is the Board's view that when a company makes commitments of this nature, it has satisfied itself that these activities will benefit both the project and the public, and the Board takes these commitments into account when arriving at its decision. The Board expects the applicant, having made the commitments, to fully carry out the undertaking or advise the EUB if, for whatever reasons, it cannot fulfill a commitment. The EUB would then assess whether the circumstances regarding the failed commitment warrant a review of the original approval. The Board also notes that the affected parties also have the right to request a review of the original approval if commitments made by the applicant remain unfulfilled.

Conditions generally are requirements in addition to or otherwise expanding upon existing regulations and guidelines. An applicant must comply with a condition(s) or it is in breach of its approval and subject to enforcement action by the EUB. Enforcement of an approval includes enforcement of the condition(s) attached to the licence. Sanctions imposed for the breach of such condition(s) may include the suspension of the approval, resulting in the shut-in of a facility(ies).

COMMITMENTS BY GLOBEX

The Board acknowledges the following commitments made by Globex:

- Traffic associated with drilling of the 16-18 well will travel to the site from the south, off Highway 49, thus avoiding passing Mr. Day's residence.
- Globex will control dust during drilling, should conditions warrant, using a water truck to spray the road and/or other measures, as appropriate.
- Globex will simulate two emergencies prior to entering the first sour zone in the 16-18 well, one at its Calgary office and one at the 16-18 location. The purpose of these exercises will be to ensure that the personnel involved understand their roles and are prepared to implement the ERP. EUB staff will be afforded the opportunity to attend both simulations.
- Globex will notify all residents included in the site-specific ERP of any real or apparent emergencies at the 16-18 well.
- Globex will dispatch mobile air monitors at a Level 1 emergency.

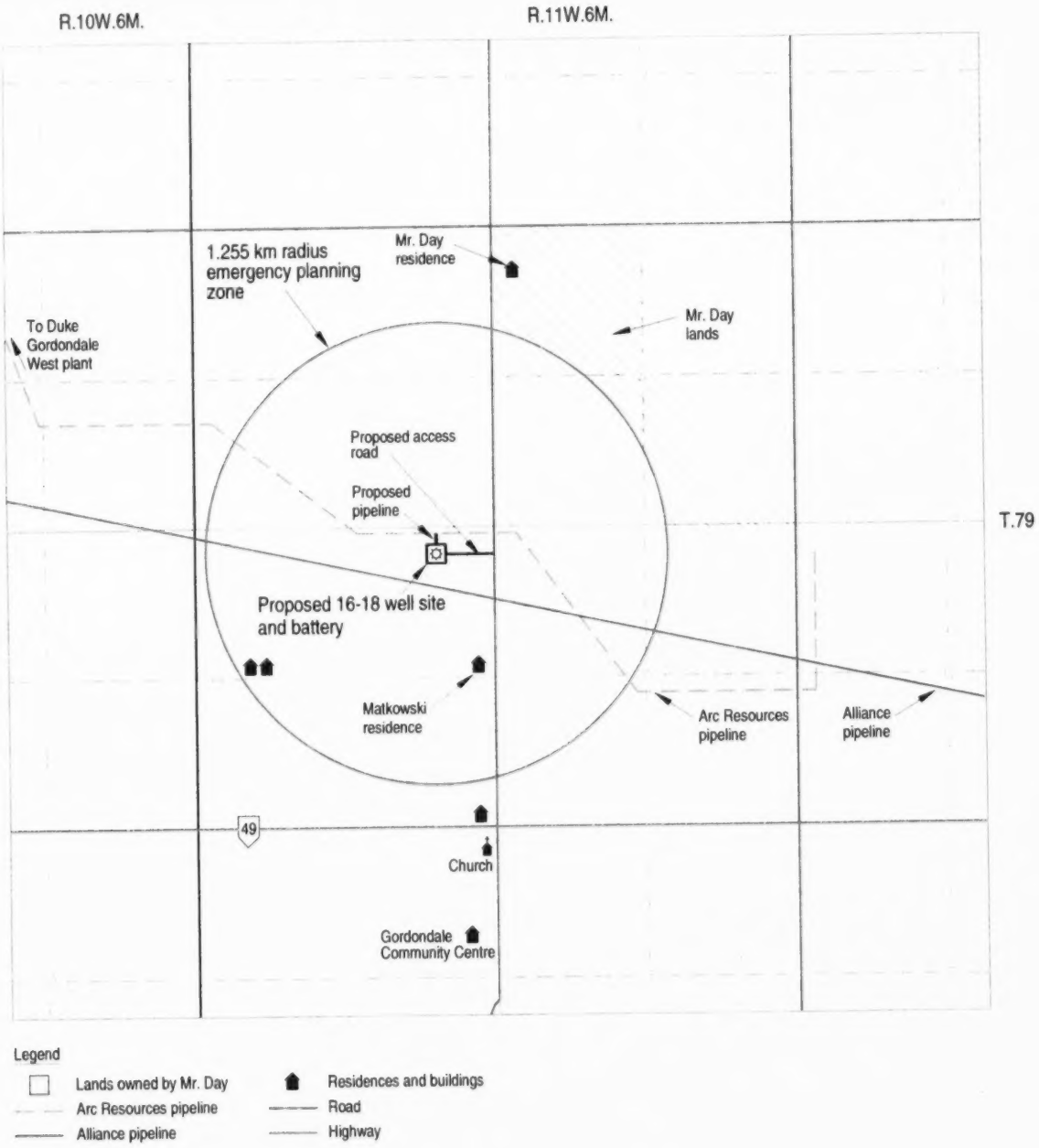
CONDITION

The licenses are subject to the condition that the directions set out below are appropriately completed:

Globex must take all reasonable steps to ensure that all vehicles and equipment used during the construction of the surface 16-18 lease and associated battery and pipeline will arrive on site clean and free of dirt and vegetative material. The Board deems reasonable steps to include:

- Globex shall thoroughly clean all vehicles and equipment associated with construction of the 16-18 lease and pipeline right-of-way, *prior to* entry of such vehicles and equipment onto the lease and right-of-way. Cleaning must include, at a minimum, pressure washing of tires, wheel wells and chassis of light vehicles and vehicles transporting heavy equipment. Cleaning of heavy equipment must include,pressure washing of blades, buckets, tracks, and undercarriage.

- Globex shall notify the EUB's Grande Prairie Field Centre in advance of moving construction equipment on to the lease site, in order to afford EUB Field Surveillance staff, at its discretion, the opportunity to inspect the condition of heavy equipment being moved on to the 16-18 lease.



Location of proposed project and surrounding area